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Item 67 (g) of the preliminary list*
General and complete disarmament: missiles

Missiles

Report of the Secretary-General

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* A/59/50 and Corr.1 (and 2 and 3 for Arabic).

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I. Introduction

1. In paragraph 2 of its resolution 58/37 of 8 December 2003, entitled "Missiles", the General Assembly requested the Secretary-General to further seek the views of Member States on the report on the issue of missiles in all its aspects and to submit a report to the Assembly at its fifty-ninth session.

2. By a note verbale dated 27 February 2004, Member States were invited to communicate their views on the issue. Replies were received from Argentina, China, Ireland (on behalf of the European Union), Lebanon, Mexico and Venezuela, and are reproduced in section II below. Any replies received subsequently will be issued as addenda to the present report.

II. Replies received from Member States

Argentina

[Original: Spanish]
[4 May 2004]

1. With regard to operative paragraph 2 of General Assembly resolution 58/37, entitled "Missiles", the Government of Argentina reiterates the remarks made at the previous session in connection with the report of the United Nations Panel of Governmental Experts on missiles, prepared in 2000.

2. Concerning the request addressed to the Secretary-General to prepare a report to be submitted to the General Assembly under the item entitled "Missiles" at its fifty-ninth session, the Government of Argentina hopes that the report will indicate the need for a broad missile non-proliferation regime containing four areas:

(a) Legal and institutional aspects: this implies the negotiation of a binding convention including mechanisms of verification within the United Nations system;

(b) Cooperation to stimulate services for peaceful uses of space;

(c) Prohibitions against:

(i) The development, production and marketing of missiles with global and intermediate ranges;

(ii) Launch tests;

(d) The establishment of missile-free zones.

3. The basis of the negotiation of a regimen comprising missiles in all their aspects must be universal and non-discriminatory. The related preparatory process must call not only for the full participation of all States Members of the United Nations, but also the inclusion of all the multilateral and bilateral instrumentalities (existing or having existed within or outside the United Nations system) that have contributed to missile non-proliferation (inter alia, the Hague Code of Conduct against Ballistic Missile Proliferation (HCOC), the Panel of Governmental Experts on missiles in all their aspects (UNEG), the Missile Technology Control Regime (MTCR), the negotiations on intermediate-range nuclear forces (INF) and the START 1 Treaty). All those experiments have contributed in various ways to non-

proliferation, though none of them has had or has the capacity to generate policies and related programmes that cover the question of missiles in all their aspects.

4. This position corresponds to a long-range vision that can develop only in the context of the United Nations and within the framework of a global conference on missiles in all their aspects, the preparatory process for which should be launched in 2007.

5. Lastly, our country would like to turn to account the efforts made by the international community through the adoption of the International Code of Conduct against Ballistic Missile Proliferation (Hague Code of Conduct (HCOC)). It is hoped that the Panel of Experts will consider among its recommendations the need to call for the universalization of that mechanism.

China

[Original: Chinese/English]
[24 May 2004]

1. Currently, the issue of missiles in all its aspects, particularly the problem of proliferation of missiles capable of delivering weapons of mass destruction (WMD) and missile-related technology, has increasingly aroused broad attention and concern among the international community. However, so far there is no universally accepted international legal instrument or authoritative norm to address this issue. Therefore, the adoption of the resolution entitled "Missiles" by the United Nations General Assembly and the establishment of the Panel of Governmental Experts on missiles thereunder are of great importance.

2. China supports an important role for the United Nations in addressing the issue of missiles. At the invitation of the United Nations Secretary-General, China named an expert to the Panel of Governmental Experts, who took part in its work actively and constructively, and contributed to the completion of the first report on the issue of missiles in all its aspects in the history of the United Nations.

3. China holds that the report of the Panel has by and large reflected all parties' concerns, views and suggestions on the issue of missiles in all its aspects. The report is relatively objective, comprehensive and balanced. China supports in particular the following conclusions drawn in the report: that the issue of missiles should be addressed in connection with the global and regional security situation, and that the Panel has noted the role of the United Nations in the field of missiles, etc. We appreciate the arduous efforts made by the Governmental Experts in this regard. At the same time, we also regretfully notice that the Panel report fails to put forward any substantial and feasible proposals on how to deal with the issue of missiles in all its aspects.

4. Pursuant to General Assembly resolution 58/37, the United Nations has again established a Panel of Governmental Experts to discuss the issue of missiles in all its aspects. China hopes that, on the basis of the previous work, the Panel could further explore the issue of missiles in all is aspects in a comprehensive and balanced manner, and bring forward some substantial proposals and measures.

5. China would like to reiterate that, given its complex and sensitive nature, the issue of missiles should be properly addressed in a comprehensive, balanced, non-

discriminatory and step-by-step approach within the framework of the United Nations on the premise of ensuring no diminution of any State's security, fully reflecting all parties' positions and concerns, and comprehensively considering global strategic stability and regional security circumstances. China is willing to make unremitting efforts and due contributions to this end.

Ireland (on behalf of the European Union)

[Original: English]
[25 June 2004]

1. At the fifty-eighth session of the General Assembly, the States members of the European Union aligned themselves with the consensus on Assembly resolution 58/37, entitled "Missiles".

2. The States members of the European Union hereby wish to provide the following common reply to paragraph 3 of the resolution, in which the Assembly requested the Secretary-General, with the assistance of a Panel of Governmental Experts to be established in 2004 on the basis of equitable geographical distribution, to explore further the issue of missiles in all its aspects and to submit a report for consideration by the General Assembly at its fifty-ninth session.

3. As emphasized in the European Union's Strategy Against Proliferation of Weapons of Mass Destruction, adopted at the European Council in December 2003, the European Union stresses that the proliferation of weapons of mass destruction and their means of delivery, such as ballistic missiles, are a growing threat to international peace and security. Specifically, development by several countries of concern of ballistic programmes, of autonomous capacity in the production of medium- and long-range missiles, as well as cruise missiles and unmanned aerial vehicles are a growing cause of concern.

4. While the international treaty regimes and export controls arrangements have slowed the spread of weapons of mass destruction and delivery systems, a number of States have sought or are seeking to develop such weapons. The risk that terrorists will acquire chemical, biological, radiological or fissile materials and their means of delivery adds a new critical dimension to this threat.

5. The European Union reaffirms its commitment to strong national and internationally coordinated export controls, as well as to addressing the problems of regional instability and insecurity, and the situations of conflict which may lie behind many ballistic missile programmes. At the same time, the European Union stresses that, in addition, a global, multilateral approach to the problem is necessary. In this regard, the European Union welcomes the adoption of Security Council resolution 1540 (2004).

6. The European Union considers that the establishment of globally accepted rules and practices to support ballistic missiles non-proliferation is essential and urgent. Therefore, the European Union strongly supported and participated in developing and launching in The Hague in November 2002, of The Hague Code of Conduct against Ballistic Missile Proliferation. The Code is an important tool against the growing proliferation of ballistic missiles capable of carrying weapons of mass destruction. The Code establishes fundamental principles where previously

there were none and represents a crucial step towards a possible multilateral arrangement to prevent ballistic missiles proliferation.

7. Consequently, the European Union attaches great importance to the Code's universalization and is actively engaged in seeking to have it adopted by as many States as possible. Since its launch, the number of countries adhering to The Hague Code of Conduct against Ballistic Missile Proliferation has grown considerably: today at least 114 countries adhere to it. In particular, the universalization and reinforcement of the Code is one of the priorities for the European Union diplomatic action set out by the Council Common Position of 17 November 2003, on the universalization and reinforcement of multilateral agreements in the field of non-proliferation of weapons of mass destruction and means of delivery. The European Union will continue to work to convince as many countries as possible to subscribe to it, especially those with ballistic missile capabilities; work together with other subscribing States to develop further and implement the Code, in particular the confidence-building measures provided for in the Code; and promote, where possible and appropriate, a closer relationship between the Code and the United Nations system.

Lebanon

[Original: Arabic]
[27 May 2004]

With reference to note DDA/21-2004/MISL of 27 February 2004, Lebanon reaffirms the importance of the role of the United Nations in the field of arms regulation and disarmament, realizes the need to promote peace and security, expresses its support for the international efforts to combat the development and stockpiling of all types of weapons, particularly missiles, by seeking realistic options involving all parties to address this issue and, being convinced of the need for a comprehensive, balanced and non-discriminatory approach towards missiles, emphasizes that the complexities involved in considering the issue of missiles in the conventional context must be addressed, it being understood that Lebanon neither manufactures nor possesses such missiles.

Mexico

[Original: Spanish]
[13 May 2004]

1. Mexico maintains its full support for the work being done on missiles within the United Nations framework, for it is convinced of the need to examine the subject within a balanced, non-discriminatory perspective that takes all aspects into account, in an inclusive, multilateral exercise that will make it possible to adopt legally binding measures to prohibit the use of missiles for military purposes.

2. Mexico views the report prepared by the Panel of Governmental Experts established by the Secretary-General under General Assembly resolution 55/33 A, of 20 November 2000, as a positive step in the examination of the issue of missiles in all its aspects.

3. Mexico encourages the governmental experts, who will be meeting throughout the first half of 2004 for the purpose of continuing their study of the question, to identify courses of action to be followed in the missile field, especially with regard to missiles having the capacity to transport nuclear weapons and other weapons of mass destruction; dual-use technologies and potential trust- and transparency-promoting measures to be adopted in that regard; and the role of the United Nations in this area. All these aspects should be included in a report which, this time, should incorporate specific recommendations.

4. The Government of Mexico considers that the essential aspects to be borne in mind include the need for inventories of existing missiles and the importance of international missile transfers being secure, so as to prevent any diversion for non-peaceful purposes.

5. It is a matter of concern that in the current international context, in which terrorist acts have taken place, the ground-to-air and air-to-air missile industries are gaining new momentum as peaceful nations that did not traditionally acquire this type of weaponry begin to add it to their military or civilian arsenals as an element of deterrence for the security and defence of their strategic installations. It is therefore highly important to ensure that missile acquisition is balanced and non-discriminatory and serves as a contributing factor, not a threat, to international, regional and subregional peace and security.

Venezuela

[Original: Spanish]
[18 May 2004]

The Government of the Republic of Venezuela considers the question of missiles a fundamental topic on the multilateral disarmament agenda of the United Nations and therefore supports any related initiative to promote the consolidation of peace worldwide in accordance with the principles of international law. The question of missiles is directly related to various aspects of the international disarmament regime, from nuclear to biological, chemical and bacteriological weapons. The regulation, control and non-proliferation of such weapons are consequently essential for guaranteeing global stability, and in this regard countries that manufacture such weapons have a primordial role to play. The Government of Venezuela considers that in order to bring about a safer and more peaceful world it is essential to strengthen the disarmament regime with regard to missiles and related areas. It therefore supports the work being carried out both by the Secretary-General and by the Organization's Department for Disarmament Affairs.

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Globalization and interdependence

Eradication of poverty and other development issues: industrial development cooperation

Industrial development cooperation

Note by the Secretary-General

The Secretary-General hereby transmits the report of the Director-General of the United Nations Industrial Development Organization (UNIDO) on industrial development cooperation in accordance with General Assembly resolution 57/243 of 20 December 2002, to which is annexed an information note on the Global Biotechnology Forum as mandated in Assembly resolution 57/237 of 20 December 2002, and Assembly decision 58/545 of 23 December 2003.

* A/59/50 and Corr.1.

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Industrial development cooperation

Report of the Director-General of the United Nations Industrial Development Organization (UNIDO)

Executive summary

In accordance with General Assembly resolution 57/243 of 20 December 2002, the Secretariat hereby submits the report of the Director-General of the United Nations Industrial Development Organization (UNIDO) on industrial development cooperation for the consideration of the Assembly at its fifty-ninth session. The report contains information on the outcomes of the Global Biotechnology Forum, held in Concepción, Chile, from 2 to 5 March 2004, as stipulated in Assembly resolution 57/237 of 20 December 2002 and Assembly decision 58/545 of 23 December 2003 (see annex).

The present report focuses on the critical role of productivity factors and industrial development for the achievement of the Millennium Development Goals; and underlines the fact that productivity enhancement is a main factor in promoting sustained growth which is essential for poverty alleviation. Industrial development as the main source of the economic growth makes an important contribution to the achievement of the Millennium Development Goals by promoting skills, knowledge and technology.

In exercising its mandate to promote sustainable industrial development in developing countries and economies in transition, UNIDO has made a comprehensive review of its services to ensure their alignment with the requirements of the Millennium Development Goals. The UNIDO corporate strategy, "Productivity enhancement for social advance", was developed to better focus UNIDO activities and interventions on productivity growth.

The report provides an overview of UNIDO services and other activities undertaken over the past two years in the context of the Millennium Development Goals, reflecting strategic changes that resulted in better programme delivery and increased efficiency of UNIDO activities. The main modalities through which UNIDO services are delivered are integrated programmes and country service frameworks based on the service modules complemented by thematic initiatives/programmes as well as stand-alone projects. Addressing the problems of industrial development through integrated programmes significantly enhances the impact of the UNIDO operational activities and their contribution to the Millennium Development Goals.

To give due emphasis to UNIDO activities in least developed countries, the report makes special reference to the *Industrial Development Report, 2004* entitled *Industrialization, Environment and the Millennium Development Goals in Sub-Saharan Africa: The New Frontier in the Fight Against Poverty*, which addresses the dynamic processes of productivity growth, wealth creation and social advance in sub-Saharan Africa in the context of the Millennium Development Goals.

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I. Millennium Development Goals and sustainable industrial development

1. The Millennium Development Goals are more than targets set by the international community for minimum levels of human and social well-being in poor countries. They are also basic *preconditions* for sustained economic development. Social and economic development must proceed hand in hand and complement each other in vital ways. The improvements that Millennium Development Goals envisage in health, education, gender, environment and infrastructure are essential if productive sectors are to grow and generate wealth-creating employment. Only such improvements can provide the high-quality inputs needed for the productivity increase that sustained growth requires, and only the greater equity and opportunities implied in the Millennium Development Goals can provide the social stability without which growth cannot succeed.

2. The achievement of Millennium Development Goals, particularly the halving of income poverty, also requires faster economic growth especially in those countries where poverty is already the worst and where the recent economic performance has been the weakest. The poorest countries, especially in sub-Saharan Africa, are, on average, also those that pose greatest challenges in terms of growth rates needed to achieve the Millennium Development Goals. While this may seem an insurmountable task, it is possible to start from a low base and grow rapidly, as the experience of some high-performing developing economies shows, provided that these countries can overcome the underlying structural problems.

3. Productive development has a critical role to play in helping to raise growth rates. It is the motive force for applying new technologies to production and the most important source and diffuser of technological innovation. It creates new skills and work attitudes, catalyses institutional change and breeds modern entrepreneurship. It is the best way of modernizing the export structure and creating the base for sustained export increase along with higher wages. Successful industrialization helps create the employment that poor economies need as they release labour from agriculture, both directly and by stimulating the development of modern services.

4. A number of external and domestic policy interventions are needed to reinforce the relationship among Millennium Development Goals, poverty reduction and sustained growth. These interventions primarily work by unleashing the growth potential and thus establishing the necessary framework for productive sector development. Productive capacity-building and, particularly, private sector development strategies play an important role by promoting economic diversification and structural change. One such growth pole is the accelerated market liberalization in advanced countries directed towards developing-country products which, when complemented with trade capacity-building in developing countries, should result in accelerated growth in exports. In addition to these interventions, institutions for the facilitation of domestic technology diffusion and the provision of the public goods associated with them, play a key role in upgrading the capabilities required for industrial development. Taken altogether, these foster the demographic, productivity and technology transitions that then enhance economy-wide productivity, reducing the gap between actual and potential economic growth. In this context, the achievement of Millennium Development Goals and the formulation of national poverty reduction strategies in tune with the productive

capacity-building needs of the economy are the critical policy shocks needed by the least developed countries to break out of the pervasive poverty trap haunting them and unleash their growth potential.

5. Functional policies for industrial development pay higher dividends when they are implemented resting on the basics of good governance, macroeconomic stability and sound institutions. At their current stage of development, most least developed countries have much to gain from across-the-board measures to improve framework conditions. Such reforms can be expected to provide the critical mass necessary to attract investment without which few countries can hope to meet their Millennium Development Goals.

6. However, comprehensive development strategies need to go further than this, by incorporating functional private sector promotion policies to enhance productive capacity and productivity performance. Here, the institutions of the technological infrastructure and related extension services for the sector of small and medium-sized enterprises (SMEs) play a vital role, as does the implementation of forward-looking industrial development policies that are conducive to the diffusion of environmentally sound and emerging technologies.

7. Technological infrastructure to support the development of productive capacity, such as those relating to the quality system (including capacity in the areas of metrology, testing, standardization, and quality management), is becoming indispensable even in countries at a very early stage of manufacturing development, simply because of the stringent health, safety, environmental and other technical regulations and conformity requirements imposed by advanced industrialized countries. In addition, technical education and privately run or mixed apprentice systems are needed to complement on-the-job-training so as to support the development of skills required to promote learning processes in industry.

8. SMEs are frequently handicapped the world over in terms of size, resources and skills needed to undertake various kinds of technological and training activities, enhance productivity and compete in markets that work based on stringent supply, standards and delivery requirements. As SMEs are often the main source of income, employment and consumable goods for most poor people, constraints on their productivity and growth are also impediments to poverty reduction. In particular, in the predominantly agriculture-based economies of Africa and least developed countries, where more than 70 per cent of the poor live in rural areas, diversification towards non-farm activities, for example, through promotion of agro-processing SMEs, needs to be a major component of the development and poverty reduction strategy.

9. Effective and cost-efficient provision of extension and productivity services for SMEs encompasses the basic public goods required to spur development. These services can take many forms, from technical and management advice to financial assistance. Financial support can take the form of loans with subsidized interest rates, credit and insurance guarantees or grants aimed at stimulating particular activities, such as exports, technological learning, innovation and investment, and can be designed to make up for the regional or sector-specific disadvantages of SMEs. SMEs can also be supported through "soft aid" such as consulting services, information and training and assistance aimed at facilitating the establishment of export consortia and local clusters. A further form of assistance is that aimed at developing suppliers' and subcontracting networks with large enterprises, including

SMEs. The most effective extension services provide a combination of such inputs, and are proactive in reaching out to enterprises that lack the time and information required to approach them. Productivity Centres are a special form of extension, geared to analysing and addressing productivity gaps, in particular in technologically advanced activities.

10. The pace of economic growth required by the income poverty reduction target and the environmental goals envisioned in Millennium Development Goal 7 are often seen to be at odds with one another in the developing world, owing to a widespread misconception that environmental degradation is a price to be paid for industrial development. While achieving the income poverty reduction Millennium Development Goal target implies a pattern of structural change consistent with high levels of economic growth, there can be policy interventions formulated to address the problems of environmental degradation associated with rapid increases in industrial activity. To undertake an environmentally sound industrial development strategy, countries need to make progress especially in two areas: better integration of, and cohesion between, industrial and environmental policies, and the diffusion of environmentally sustainable technologies with the help of international assistance.

11. If, among others, these ingredients which are required to embark upon a path of diversification, structural change and productivity growth in an environmentally sustainable manner are ignored, the Millennium Development Goals may fail to start off sustained development processes even if they largely succeed in reaching the targets encapsulated by the indicators of progress.

II. Response of the United Nations Industrial Development Organization (UNIDO)

12. The United Nations Industrial Development Organization (UNIDO) has responded to the challenges posed by the Millennium Development Goals with a comprehensive review of its services to ensure their alignment with the requirements of the Millennium Development Goals. Where appropriate, the Organization has revised its programmatic interventions, administrative procedures and organizational structure to enable it to meet these requirements effectively.

13. The specific responses of UNIDO to the Millennium Development Goals and related developmental objectives set by the international community have comprised:

- The formulation of a new corporate strategy.
- The refinement of the developmental services offered by UNIDO within the framework of its eight service modules.

14. The UNIDO corporate strategy, entitled "Productivity enhancement for social advance", rests on the premise, derived from empirical research and experience, that productivity enhancement plays a crucial role in promoting sustained growth which is essential for poverty alleviation, and the conviction that industry as the main source of this growth can make an important contribution to the achievement of the Millennium Development Goals by promoting skills, knowledge and technology. The corporate strategy proposes a new approach for UNIDO activities and interventions with a better focus on productivity growth. This new approach is

aimed at promoting sustainable industrial development by reinforcing the multiple links among entrepreneurship, technology, productivity enhancement and growth, and at facilitating a better conceptual and operational design of the Organization's support services.

15. The UNIDO corporate strategy calls for an effective integration by UNIDO of the conceptualization of the current policy challenges facing developing countries and transition economies, and its approach to technical cooperation on the ground. It consequently requires an increased synergy between the Organization's global forum and technical cooperation activities to ensure that they reinforce each other in the quest for relevance, effectiveness and impact. The global forum function should thus serve to identify topical areas of need for the Organization's technical cooperation in developing countries and countries with economies in transition, while the technical cooperation function should help to provide inputs for the global forum function and to identify gaps in the global forum activities of UNIDO.

16. In line with the corporate strategy, the UNIDO technical cooperation activities based on the service modules have been readjusted to meet the evolving needs of developing countries and countries with economies in transition. In making this adjustment, particular emphasis was placed on ensuring that these modules support the achievement of the Millennium Development Goals within the framework of the UNIDO mandate. In this connection, Goals 1 (Eradicate extreme poverty and hunger), 3 (Promote gender equality and empower women), 7 (Ensure environmental sustainability) and 8 (Develop a global partnership for development) have been seen as being especially relevant for the work of UNIDO, although the Organization's services also contribute to the achievement of the other health- and education-based goals by supporting the development of the critical industrial capacities and infrastructure required for their achievement.

17. The programmatic review resulted in the selection of the following eight service modules:

1. Industrial Governance and Statistics
2. Investment and Technology Promotion
3. Industrial Competitiveness and Trade
4. Private Sector Development
5. Agro-industries
6. Sustainable Energy and Climate Change
7. Montreal Protocol
8. Environmental Management.

18. The main modalities through which UNIDO services are delivered are integrated programmes and country service frameworks based on the service modules complemented by thematic initiatives/programmes as well as stand-alone projects. Addressing the problems of industrial development in an integrated and coherent way, the integrated programmes significantly enhance the impact of the UNIDO operational activities and their contribution to the Millennium Development Goals. In 2003, integrated programmes and service country frameworks covered 51 countries. UNIDO technical cooperation delivery steadily increases and reached its

highest level in 2003, amounting to $94.6 million. This represented an increase of 16 per cent over the corresponding figure for the previous year.

III. UNIDO at work

19. The services offered by UNIDO within the framework of eight service modules cover a wide range of activities related to Millennium Development Goals 1, 3, 7 and 8 as noted above.

20. **Service module 1** assists beneficiary countries in monitoring, benchmarking and analysing their industrial performance and capabilities and, on that basis, in formulating, implementing and monitoring strategies, policies and programmes to improve the contribution of industry to productivity growth and the achievement of the Millennium Development Goals. Specifically, the UNIDO services under this module have technical cooperation as well as global forum and research dimensions and comprise: building capabilities in industrial statistics, preparation of national and regional strategic industrial diagnoses, capacity-building for industrial policies and strategies, statistics, industrial development indicators and scoreboard, economic research, Industrial Development Reports, and sectoral and policy studies.

21. The 2003 edition of the UNIDO industrial statistics databases (INDSTAT) on industry was disseminated worldwide through several media, including CD-ROM, hard-copy publication and the Internet. UNIDO also redesigned this Internet-based dissemination product by incorporating a new interface. The international statistical community largely benefited from this new approach, as it promoted good practices in statistics and significantly improved data quality.

22. UNIDO *Industrial Development Report, 2002-2003*[1] with its main theme, "Competing through innovation and learning", has been followed by *Industrial Development Report, 2004*[2] (2003-2004) which focuses on the role of industrialization in the achievement of the Millennium Development Goals in Sub-Saharan Africa. The report provides practical recommendations on the ways to meet Millennium Development Goals in the region.

23. **Service module 2** is aimed at overcoming the variety of policy and market failures that constrain domestic and foreign investment activity and the ability to engage in effective technology development and management. UNIDO supports national efforts in the fields of investment and technology promotion. Recent investment promotion activities encompass three main areas: formulation and promotion of investment projects in biotechnology (Cuba), the automotive industry (Colombia) and agro-industry and pharmaceuticals (Ghana, Nigeria and the United Republic of Tanzania); training of national staff and formation of local networks for enterprise and project profiling and appraisal for countries including Ecuador, Ghana, Malawi and Nigeria; and survey of foreign investors in 10 sub-Saharan countries to assess their motivations, performance, perceptions and future plans as an input to capacity-building and strategy design for national institutions servicing foreign investors, supplemented by a competitiveness benchmarking exercise launched first for Kenya and Nigeria in the pharmaceutical and agro-processing sectors.

24. UNIDO technology promotion activities concentrate on upstream intervention at government level in devising appropriate policies, strategies and operational

action plans to address the technological divide. Technology foresight awareness and capacity-building activities were implemented at the regional level in Eastern Europe and in Latin America, focusing on national core competencies and local sectoral benefits enabling adoption of, and upgrading to, new and more innovative technologies. Special attention was given to technology road-mapping addressing technology strategies in specific industrial sectors in South-East Asia.

25. **Service module 3** is designed to take full advantage of the liberalization of international markets resulting from the process of globalization, in particular by strengthening local capacities to meet the wide variety of technical standards and conformity requirements that limit their access to international markets despite the reductions in tariffs and quotas. The UNIDO trade capacity-building initiative is based on three fundamental pillars: (a) national manufacturing capability for global market competitiveness; (b) proved ability to conform to international standards and regulations; and (c) opportunity to connect to target markets. Under this initiative, UNIDO initiated several projects. In West Africa, in cooperation with the European Union (EU) and the West African Economic and Monetary Union, UNIDO developed a subregional programme aimed at facilitating the access of the countries of the West African Economic and Monetary Union, to regional and international trade. UNIDO has already established a regional system for accreditation; set up regional and local networks of specialized laboratories; harmonized procedures for testing and analysis of products; introduced quality systems in more than 16 laboratories and 50 enterprises; organized training for more than 500 engineers and auditors; and provided a complete collection of international standards. Regional programmes were also launched for Mekong Delta countries, funded by the Norwegian Agency for Development Cooperation (NORAD), and for Central America, funded by UNIDO.

26. **Service module 4** focuses on strengthening the private sector, which is the main driving force of industrial development. In particular, UNIDO services seek to promote the development of SMEs and include information services, a business partnership programme, SME cluster and networking development, and rural and women's entrepreneurship development.

27. Building on ongoing activities, in Uganda an entrepreneurship curriculum was introduced in secondary education, offering some 400,000 students annually exposure to entrepreneurial culture, attitude and practices. Project proposals to address specific needs in afflicted countries, including Afghanistan, Angola, Burundi, Guinea, Sierra Leone and Timor-Leste, were elaborated for post-crisis assistance and submitted to donors, including the United Nations Trust Fund for Human Security, funded by Japan.

28. A joint UNIDO/International Labour Organization (ILO) global training programme on SME cluster development, drawing on the specific experience of both organizations, was designed for policy makers in developing countries to help SME clusters meet their potential in globalized economies. The second phase of the Business Partnership Programme for the Automotive Component Industry, in India, and a similar programme in South Africa were launched.

29. This service module also covers UNIDO activities in support of Millennium Development Goals 3 and 8, and includes both the UNIDO women entrepreneurship development programme and the Organization's business partnership programme. The former is aimed at helping to promote gender equality through the socio-

economic empowerment of women, while the latter is specifically aimed at pulling together the complementary resources of the United Nations, relevant research institutions and the business community for the benefit of SMEs.

30. **Service module 5** assists in enhancing the productivity of agricultural processing industries, and thereby in enabling them to increase output and exports, create employment and generate increased income and value added from the agricultural sector, which typically plays a predominant role in their economies. UNIDO focuses on increasing productivity, trade facilitation, employment-generation, capacity-building and techno-economic assessments.

31. In Ethiopia, 82 post-harvest pilot demonstration stations were created, increasing the revenues of farmers and reducing post-harvest losses by 10 per cent in the first year of operation. In Uganda, a hybrid dryer for fruits and vegetables, developed in Burkina Faso, was successfully installed, enabling producers to double their exports of dried organic fruits. In three regions of Burkina Faso, operational dyeing and weaving units were established which, equipped with appropriate technology and modern equipment operated by trained artisans, were able to produce quality products. Through training programmes, skills were upgraded at 20 agro-machinery manufacturers in Nigeria, producing cassava-processing machinery.

32. **Service module 6** addresses the fact that energy, while an essential prerequisite for industrial and economic development, is also a major source of global pollution and waste, and therefore seeks to assist the countries concerned in meeting their energy requirements while minimizing the resulting environmental risks, in particular the threat to the global climate arising from greenhouse gas emissions. The individual services include rural energy for productive use with emphasis on renewable energy and energy efficiency. UNIDO has started a number of projects on renewable energy in developing countries including Malawi, Zambia, Cuba, Mozambique, Uganda and the United Republic of Tanzania. In regard to capacity-building for international cooperation in energy, a trust fund agreement for $40 million was signed between UNIDO and the Ministry of Energy and Natural Resources of Turkey to establish and operate an International Centre for Hydrogen Energy Technologies.

33. **Service module 7** is the Organization's ongoing programme to support the phasing out of ozone-depleting substances in accordance with the targets set by the Montreal Protocol on Substances that Deplete the Ozone Layer,[3] in particular by the developing countries covered in article 5 of the Protocol. By the end of 2003, UNIDO had developed over 900 Montreal Protocol projects in 68 countries worldwide, with a total budget of over $355 million, of which more than 620 projects with a value of some $220 million were completed, phasing out substances with an ozone-depleting potential (ODP) of some 31,000 tons. In 2003 alone, the phase-out amounted to a record 7,000 ODP tons.

34. **Service module 8**, which constitutes the Organization's response to the fact that all industrial activities create a burden on the environment, even though the revenues gained from these activities create the basis for our well-being, seeks to mitigate these threats by promoting both pre-emptive measures, including the use of cleaner production technologies, and ex post measures, including end-of-pipe treatment of pollutants and other environmental clean-up measures.

35. The cleaner production programme now focuses on investment promotion and transfer of environmentally sustainable technologies and increased cooperation among UNIDO branches and services as well as cooperation with other United Nations organizations. A regional project on combating coastal area degradation and depletion of living resources in the Guinea Current Large Marine Ecosystem was approved by the Global Environmental Facility (GEF) Council in November with a GEF budget of $21.5 million. The countries included in the project are Angola, Benin, Cameroon, the Congo, the Democratic Republic of the Congo, Côte d'Ivoire, Equatorial Guinea, Gabon, Ghana, Guinea, Guinea-Bissau, Liberia, Nigeria, Sao Tome and Principe, Sierra Leone and Togo.

IV. Cooperation for development

36. To make a distinctive and constructive contribution to the task of working towards Millennium Development Goals, UNIDO actively explores possibilities of cooperation with other international organizations, and participates in the inter-agency coordinating mechanisms and the United Nations system-wide initiatives.

37. Focusing on the priority areas where the best results can be achieved UNIDO has made significant progress in developing cooperation with the World Trade Organization and the Organization for International Standardization (ISO) in the field of technical barriers to trade. The memorandum of understanding on technical cooperation formalizes a strategic partnership between UNIDO and the World Trade Organization for the implementation of the Doha Development Agenda. Its aim is to achieve a palpable increase in developing-country exports by removing supply-side constraints, developing and proving conformity to technical requirements and integration into the multilateral trading system. The group of countries to be covered for assistance initially are Armenia, Bolivia, Cambodia, Cuba, Egypt, Ghana, Jordan, Kenya and Mauritania. The strategic partnership with ISO was established to ensure that standardization and industrial development enhance economic growth and to assist the beneficial integration of developing and least developed countries and economies in transition into the global economy. With the United Nations Conference on Trade and Development (UNCTAD), a joint cooperation programme on integrating least developed countries into global trade was developed.

38. In cooperation with the United Nations Development Programme (UNDP), ILO, the Food and Agriculture Organization of the United Nations (FAO), the International Fund for Agricultural Development (IFAD), the World Health Organization (WHO) and the World Bank, UNIDO is developing and implementing various projects in developing countries in the field of SMEs development, agro-industries and other sectors. Cooperation with the United Nations Environment Programme (UNEP) is focused on the promotion of clean technologies and building national cleaner production capacities. A comprehensive network of the Cleaner Production Centres has been established covering 30 countries. One thousand and twenty technicians specialized in cleaner production have been trained and more than 24,000 representatives from different industrial sectors were covered by awareness-raising seminars and workshops.

39. Working towards better cooperation with EU, UNIDO continued to actively exploit its potential. To facilitate the funding by the European Commission of UNIDO programmes and make the handling of funds more transparent and,

consequently, project implementation more efficient, UNIDO and EU signed the Financial and Administrative Framework Agreement.

40. Following its chairmanship of the High Level Committee on Programmes (HLCP), the Organization has continued to play a visible role in the work of the United Nations System Chief Executives Board for Coordination (CEB) and HLCP, focusing its interventions on the implementation of the United Nations Millennium Declaration,[4] follow-up to the International Conference on Financing for Development and the World Summit on Sustainable Development, multilateralism and United Nations reform. Advocating the need for a stronger emphasis on economic development and a corresponding strengthening of coordination among the relevant United Nations entities as an essential factor with respect to promoting concrete progress towards Millennium Development Goals, UNIDO drew the attention of HLCP and CEB to a proposal to enhance system-wide policy coherence and operational effectiveness that aims at renewing the United Nations economic development functions in the context of the United Nations Millennium Declaration and emphasizes the need to redress the current undersupply of specific public goods such as market efficiency, knowledge and environment, and to enhance the links between economic and social development in order to improve the prospects for achieving the Millennium Development Goals and make that process sustainable. This could be achieved, inter alia, through a voluntary mechanism such as a common business plan.

41. The involvement of UNIDO in the United Nations Development Group contributed to the development of an "institutional position of UNIDO" in the context of implementing the Millennium Development Goals at the country level. The participation of UNIDO concentrated on the gradual internalization of the Millennium Development Goals as the operational framework for the United Nations country teams, including monitoring, analysis, campaigning and operational activities.

42. In May 2003, UNIDO became the fifth core United Nations body in the Global Compact (following ILO, the Office of the United Nations High Commissioner for Human Rights, UNEP and UNDP). The participation of UNIDO in the Global Compact is aimed at meeting the specific needs of SMEs. This is a result of the recognition bestowed by the United Nations system on the Organization's operational efforts in developing business partnerships; its support of SME development; its research efforts on exploring the implications of Corporate Social and Environmental Responsibility for SMEs in developing countries; and its spearheading of United Nations system activities in supporting environmentally and socially responsible entrepreneurship.

43. UNIDO continued to play a significant role in the United Nations Millennium Project developed to help in formulating the best strategies for achieving the Millennium Development Goals. As an active member of the United Nations Experts Group, which oversees the working of the whole project, Task Force 1 on Poverty and Economic Development, and Task Force 10 on Science, Technology and Innovation, UNIDO makes a direct contribution to the Millennium Project by sharing its expertise on the relevant subjects. Also, in this context, UNIDO is holding talks with the Earth Institute with a view to developing a series of projects in alternative energy and rural development, which will become part of the implementation of the Millennium Project.

V. Focus on Africa and the least developed countries

44. Africa and the least developed countries remain at the core of UNIDO priorities in line with the Business Plan. A good indicator of the focus on African countries in UNIDO technical cooperation activities was their share of integrated programmes and country service frameworks. At the end of 2003, 24 integrated programmes or country service framework were under implementation in the region, with a total budget of $152 million, of which $110.1 million was allocated for 19 programmes in sub-Saharan Africa.

45. To address the specific needs of African least developed countries, UNIDO launched the African Productive Capacity Initiative (APCI). As the component on sustainable industrial development of the New Partnership for Africa's Development (NEPAD) (A/57/304, annex), APCI is designed to increase the share of manufactured products and services and to create environment-friendly productive entities and generate sustainable jobs.

46. The Initiative will gradually integrate the current integrated programmes in Africa, including those for least developed countries, which would become the national pillars of the respective subregional APCI. Moreover, ongoing regional programmes in West Africa, which counts 11 least developed countries, will be included in the West African Productive Capacity Initiative that has targeted local manufacturing of at least 25 per cent of West African cotton, of which such least developed countries as Mali, Burkina Faso and Senegal are among the largest producers of the subregion. At present, 95 per cent of the cotton produced in West Africa is exported as raw material.

47. In other respects, taking into account the successful experience and results gained in a trade capacity-building project for Sri Lanka during the period 2001-2003, UNIDO and NORAD launched a similar project for the Mekong Delta countries and South Asian least developed countries, with a NORAD contribution amounting to $2.5 million. With an objective of overcoming technical barriers to trade in the region, the project focuses on developing the necessary technical infrastructure for laboratories and also on effecting the global recognition of the laboratories.

VI. *Industrial Development Report, 2004*

48. Second in the series of Industrial Development Reports, *Industrial Development Report, 2004: Industrialization, Environment and the Millennium Development Goals in Sub-Saharan Africa: The New Frontier in the Fight Against Poverty*, focuses on the dynamic processes of productivity growth, wealth-creation and social advancement in sub-Saharan Africa in the context of the internationally agreed development goals and targets of the United Nations Millennium Declaration and the national poverty reduction strategies.

49. While the number of people living in absolute poverty as a proportion of the total world population *fell* between 1981 and 2001, from 40 to 21 per cent, in sub-Saharan Africa, the proportion *rose*, from 42 to 47 per cent.

50. The economies of sub-Saharan Africa (with notable exceptions) have been in decline for a quarter of a century. Consequently, sub-Saharan Africa has become the

development challenge: While, based on present trends, most of the developing world will continue to converge with the developed world, the decline of sub-Saharan Africa has been in not just relative but absolute terms. As is widely recognized, the "overarching" Millennium Development Goals — the halving of poverty — is unattainable for the region *without* the reversal of overall economic decline. Subsequently, the economic opportunities of sub-Saharan Africa need to be carefully laid out and acted upon.

51. The estimates show that 30 countries of sub-Saharan Africa surveyed require annual gross domestic product (GDP) per capita growth rates of from 2 to 6 per cent to achieve the income poverty Millennium Development Goal by 2015. The landlocked economies are farthest from the goal: they need to grow by 4.9 per cent annually. Six landlocked countries should grow by more than 5 per cent. On the other hand, achieving the Millennium Development Goals in health and education themselves will reinforce growth: for example, as much as 1.5 percentage points in growth can be expected to follow from the achievement of non-income poverty Millennium Development Goals in landlocked economies. Overall, only a few countries appear to be on their way to reaching the income poverty Millennium Development Goals: Benin, Cape Verde, Equatorial Guinea, Malawi and Uganda have already reduced poverty and require per capita growth rates lower than 2 per cent to fully achieve their goals. Mozambique, Mauritania, South Africa and Botswana also face attainable growth-rate requirements.

52. In order to attain the sustainable economic growth required, countries of sub-Saharan Africa have to go through a period of structural change promoted by a demographic transition and supported by policies to ease the absorption of excess labour released by the agricultural sector into manufacturing jobs following significant gains in agricultural productivity. *Industrial Development Report, 2004* lays out the opportunities and the policy options for the sub-Saharan African countries with respect to transforming themselves through structural change, productivity growth and industrial development, including institutional and social capabilities for technological learning and productive capacity-building.

53. The experience of high-performing economies (the Republic of Korea, China, Chile, India, Malaysia, Indonesia, Thailand, Bangladesh, Mauritius, Sri Lanka and Viet Nam) that, having started at levels of income similar to those of countries of sub-Saharan Africa today, managed to achieve rates of growth similar to those required by these countries to reach the Millennium Development Goals, suggests that even if countries of sub-Saharan Africa manage to set out on a route of structural change today, the full benefits might not necessarily be available before 2015. The experience of those high-performing economies also shows that agricultural development is a key platform from which industrialization may take off. Since the productivity levels in the agricultural sector of sub-Saharan Africa are currently very low, there is significant potential for productivity gains owing to compositional change as well as technological improvements.

54. The targets related to industrial development can be derived from the Millennium Development Goals, and can be fully consistent with them. In order for income poverty to be cut by half in sub-Saharan Africa, the growth rates required for industrial value added are estimated to be between 6 and 9 per cent. This requires additions to physical capacity: new factories, equipment and so on. However, simply building capacity is not the answer to African industrial problems.

It is more important to build *capabilities*: to operate plants at competitive levels, raise quality, introduce new products, upgrade practices and diversify into higher value added activities. Although this also requires investment, a set of resources more precious than money are needed: skills, organization, knowledge, information, technology and institutions.

55. Central to the capability-building effort are the private sector development strategies, inasmuch as firms are the main agents of change in an economy. Hence, private sector development strategies and their contribution to poverty reduction are among the major themes of the *Industrial Development Report, 2004* which, in this regard, pays attention to the ways in which poverty reduction strategies can be enhanced by greater private sector participation in the design and implementation process.

56. Although *achieving* the Millennium Development Goals in sub-Saharan Africa will demand large public investment in social overheads, *sustaining* the Millennium Development Goals will depend substantially on the nature and sturdiness of the private sector response to poverty reduction strategies. There is no reason why private sector development policies should wait until the Millennium Development Goals are achieved. However, while it is common to see Poverty Reduction Strategy Papers (PRSPs) — which are main national policy tools with which to achieve the Millennium Development Goals — highlighting the role of the private sector as the main driver of sustainable economic growth, scant attention is paid to how, precisely, this private sector-driven growth is be achieved. Experience shows that there is no "magic bullet" formula for achieving the strong private sector response needed to halve African income poverty in little more than a decade; however, PRSPs need to address shortcomings in respect of private sector development, including industrialization and structural reform and institution-building so that the micro- and macrofundamentals can be knitted.

57. Recent PRSPs include measures to improve the regulatory environment as well as explicitly target improved governance and reduced corruption as priority measures for stimulating private sector investment. However, PRSPs need to go further than this by incorporating functional private sector promotion policies to enhance productive capacity and productivity performance. Here, the technological infrastructure institutions and extension services for the SME sector play a vital role, as does the implementation of policies that are gender-sensitive and that can use the opportunities offered by the special and differential rules of the international system. Rural and informal sectors of the economy are vital for poverty reduction and hence this issue should also be critically addressed.

58. Trade policy integration into the overall strategy is still very weak in the case of most PRSPs. This is a significant hindrance, as many countries now recognize the potentially detrimental effect of trade-capacity deficiencies. In particular, the ability to tap into global production networks, through participating, for example, in offshoring and outsourcing arrangements, requires the building of productive capacities and the provision of technological services such as those related to testing, metrology, certification and accreditation. Some of these capabilities can be built most effectively on a regional basis and, in particular, the New Partnership for Africa's Development can be utilized to facilitate such capacity-building efforts and encourage deeper forms of business, government and donor cooperation in these fields.

59. An important aspect of private sector development strategies is their provision of further venues and financing opportunities for the implementation of other goals of poverty reduction strategies. However, the experience of private-sector capital formation in sub-Saharan Africa in the last 20 years has been rather bleak: the average rate has been only about 10 per cent of GDP, at a time when, by and large, sub-Saharan Africa has been a net exporter of capital. Significantly, foreign direct investment (FDI) and repatriation of capital, which can be important sources of growth, do not receive much attention in the PRSPs. Attracting foreign investment as well as encouraging repatriation of sub-Saharan African private savings relies, in turn, on the capacity of policy makers of sub-Saharan Africa to design policies to overcome the structural impediments as well as actively promote investment through various means, including effective Investment Promotion Centres and Productivity Councils.

60. As least developed countries of sub-Saharan Africa are particularly prone to exogenous shocks, it is also important to include market-based mechanisms to absorb the negative impacts of terms-of-trade shocks or natural disasters so as to enable the vulnerable real sector to cope with such setbacks during the course of the strategy's implementation. The poverty reduction strategies should consider a variety of mechanisms, such as cooperatives, insurance systems and revolving funds, depending on the specific types of shocks to which the countries are prone, that would help regenerate productive capacity and bring about stability.

61. The *Industrial Development Report* also aims at guiding an industrial policy formulation that is environmentally sound and forward-looking in terms of diffusion of emerging technologies. According to most indicators of pollution, environmental degradation first increases with growing income, and only after reaching a critical turning point, does it start to decline. For biological oxygen demand (BOD) as a measure of water pollution, this turning point comes only at a very advanced level of development (annual per capita income of $20,000). For global pollutants such as carbon dioxide (CO_2), the turning point occurs beyond the observable income range of industrialized countries. All this suggests that without intervention, environmental degradation will get much worse before — and if — it gets any better — entailing a delay that countries of sub-Saharan Africa cannot afford.

62. The implication of these findings for policy and international technical assistance is that policy interventions have a role in the earlier stages of development. The structural change implicit in attaining the growth rates demanded by the Millennium Development Goals means that ways must be found to achieve the kind of sustainable industrial development that will allow countries of sub-Saharan Africa to prevent early enough the harmful link between industry and pollution from being forged.

63. The *Industrial Development Report* argues that, while sub-Saharan African policy makers need to face significant challenges while building up technological capabilities to overcome such problems, there is an important role for the international community with respect to supporting the capacity-building needs of these countries, for example, by aiding the diffusion of environmentally sound technologies. In the long run, a crucial factor for the uptake of emerging technologies, as well as the diffusion of environmentally sustainable technologies in sub-Saharan Africa is private sector investment in these fields. Given the current low level of development of markets in sub-Saharan Africa, this will require

creative policy interventions to ensure that the constraints binding private sector development are gradually eliminated. More work needs to be done to create explicit links between the public sector and private institutions such as universities, research and development (R&D) laboratories and firms that have been successfully employed in other developing countries.

64. The second part of the *Industrial Development Report* studies the industrial development trends across the globe and expands the Industrial Development Scoreboard, introduced in the previous issue, with an improved coverage of countries and years. This part also includes the Competitive Industrial Performance (CIP) index, which gives a global overview of the diversity of industrial competitiveness and provides an assessment of the main factors affecting this performance.

VII. Field presence of UNIDO

65. To provide a better contribution to the work towards achievement of the Millennium Development Goals at the country level, UNIDO continued efforts to enhance its field presence which is an important factor with respect to implementation of UNIDO operational activities. By the end of 2003, UNIDO was present in 35 countries with 9 regional offices, 20 country offices and 6 focal points, of which 14 were in sub-Saharan Africa, 6 in the Arab States, 9 in Asia and the Pacific, 2 in Europe, and 4 in Latin America. The structure of UNIDO field offices is complemented by the Investment and Technology Promotion Offices network.

66. Within the process of decentralization, more authority was delegated to the field, and some UNIDO Representatives were given the responsibility of assuming the role of team leader of UNIDO integrated programmes at the country level, and obtained overall financial responsibility in this regard.

67. In the context of the Secretary-General's efforts to enhance coordination and work-related impact at the country level, UNIDO is actively involved in common country assessment/United Nations Development Assistance Framework (CCA/UNDAF) and PRSP processes to ensure that opportunities available through industrial development are given full consideration in the process of developing country programmes. A good example of the involvement of UNIDO in the design and implementation of the PRSP is provided by the case of Senegal, where UNIDO acts as the lead agency of the United Nations system in Senegal with respect to implementing Millennium Development Goals and the PRSP in the poorest region of the country (Tambacounda) through UNDAF. In particular, the second phase of the UNIDO Integrated Programme for Senegal includes an Industrial Upgrading component ($1.3 million) which has important linkages with PRSP implementation and private sector development. Another example is provided by Cameroon, where UNIDO is the main executing agency for the UNDP project for PRSP implementation in the area of private sector development.

68. To enhance the impact of operational activities at the country level and in response to the initiatives of the Secretary-General, UNIDO is seeking cooperation with other United Nations organizations. In this context, UNIDO has initiated a dialogue with UNDP that will help to identify better ways to work together.

VIII. Conclusions and recommendations

69. **The Millennium Development Goals are more than targets set by the international community for minimum levels of human and social well-being in poor countries. They are also basic *preconditions* for sustained economic development.**

70. **The achievement of the Millennium Development Goals, particularly the halving of income poverty, requires faster economic growth, especially in those countries where poverty is already worst and where the recent economic performance has been the weakest. The poorest countries, especially in sub-Saharan Africa, pose the greatest challenges in terms of required growth rates in order to achieve the Millennium Development Goals. The estimates show that 30 countries of sub-Saharan Africa surveyed require annual GDP per capita growth rates of from 2 to 6 per cent to achieve the income poverty Millennium Development Goal by 2015. The landlocked economies are farthest from the goal: they need to grow by 4.9 per cent annually.**

71. **Industrial development has a critical role to play in helping to raise growth rates. It is the motive force for applying new technologies to production and the most important source and diffuser of technological innovation. It creates new skills and work attitudes, catalyses institutional change and breeds modern entrepreneurship. It offers the best way of modernizing the export structure and creating the base for sustained export increase along with higher wages. Successful industrialization helps create the employment that poor economies need as they release labour from agriculture, both directly and by stimulating the development of modern services.**

72. **A number of external and domestic policy interventions are needed to reinforce the relationship among Millennium Development Goals, poverty reduction and productivity growth in an environmentally sustainable manner. These interventions primarily work by unleashing the growth potential and thus establishing the necessary framework for productive sector development. Productive capacity-building and, particularly, private sector development strategies play an important role by promoting economic diversification, structural change and export capabilities. In addition, technology diffusion, and the provision of public goods associated with it, play a key role in upgrading the capabilities required for industrial development. In this context, the achievement of the Millennium Development Goals and the formulation of national poverty reduction strategies in tune with the productive capacity-building needs of the economy are critical policy shocks required in order for developing countries to break out of the pervasive poverty trap by which they are haunted, and unleash their growth potential.**

73. **Given the critical role of industrial development for the achievement of the Millennium Development Goals, there is the stronger need for an intergovernmental body like UNIDO to provide international public goods that promote productivity growth.**

74. **In exercising its mandate to promote sustainable industrial development in developing countries and economies in transition, UNIDO has made a comprehensive review of its services to ensure their alignment with the requirements of the Millennium Development Goals. The UNIDO corporate**

strategy entitled "Productivity enhancement for social advance" was developed as a means of proposing a new approach for UNIDO activities and interventions, with a better focus on productivity growth. Thus, the impact of UNIDO activities and their contribution to the achievement of the Millennium Development Goals were significantly enhanced. The positive experience of UNIDO in this regard, and its best practices and activities, could provide a useful guide for other United Nations system organizations in their efforts aimed at achieving the Millennium Development Goals.

75. **UNIDO actively explores cooperation with the rest of the United Nations system at both the headquarters and country levels to enhance contribution to the achievement of the Millennium Development Goals. With its central coordinating role within the United Nations system in the field of sustainable industrial development, UNIDO is encouraged to continue playing an active role in the United Nations coordinating mechanisms, including CEB/HLCP, and to promote better policy coherence in the field of economic development which could be achieved, inter alia, through a voluntary mechanism such as a common business plan to address the current undersupply of specific public goods such as market efficiency, knowledge and environment.**

Notes

[1] United Nations publication, Sales No. E.02.II.B.13.

[2] United Nations publication, Sales No. E.04.II.B.22.

[3] United Nations, *Treaty Series*, vol. 1522, No. 26369.

[4] See General Assembly resolution 55/2.

Annex

Global Biotechnology Forum

Information note

I. Background

1. The Global Biotechnology Forum (Concepción, Chile, 2-5 March 2004) was organized jointly by the United Nations Industrial Development Organization (UNIDO) and the Government of Chile with support from the International Centre for Genetics and Biotechnology.

2. The overall objective of the Forum was to explore the development potential of biotechnology in the developing countries and economies in transition. In particular, the Forum was convened to examine biotechnological opportunities and challenges, constraints affecting the development and diffusion of biotechnology, ways and means of capacity-building in relation to scientific and business skills, potential for biotechnology contributions to industry, and mechanisms of technology transfer.

3. The convening of the Forum was based upon a fundamental commitment by the United Nations and its organizations to the promotion of biotechnology for the enhancement of living standards and the quality of life. In particular, chapter 16 of Agenda 21,[a] the work programme adopted by the United Nations Conference on Environment and Development in 1992, had outlined the potential of biotechnology to contribute to sustainable development by increasing the availability of food, and renewable materials, improving human health and enhancing protection of the environment.

4. At the Forum, UNIDO focused its contribution on industrial biotechnology and its potential applications for raising productivity, effective environmental management and enhancing sustainable livelihoods for poverty alleviation. It is noteworthy that chapter 16 of Agenda 21 had conferred an explicit mandate on UNIDO in regard to the environmentally sound management of biotechnology.

II. The Forum and its outcome

5. The Forum was preceded by four regional meetings covering Africa (Nairobi, March 2003), Latin America and the Caribbean (Brasilia, July 2003), Europe (Vienna, December 2003) and Asia and the Pacific (Chengdu, China, December 2003). The various issues and ideas for potential initiatives raised at the regional meetings, together with detailed information for each region, had provided a substantive background against which deliberation and discussion at the Forum took place. Its programme was organized around plenary sessions, parallel meetings and working groups. The following thematic areas were addressed:

- Biotechnology, biopharmaceuticals and the health industry.
- Biotechnology and the agro-food industry.
- Biotechnology, biodiversity and bio-industry.
- Technology transfer.

- Trade, regulation and social acceptance of biotechnology.
- Forestry.
- Biosafety (biosafety: harnessing information technology for decision support, and biosafety: mechanisms to ensure regulatory compliance).
- Inter-agency cooperation.
- Public-private partnerships and development of small and medium-sized enterprises (SMEs).

6. The Forum was attended by some 1,500 participants from over 80 countries with ministerial-level representation from a number of States. Many United Nations and other organizations, including the United Nations Educational, Scientific and Cultural Organization (UNESCO), the United Nations Conference on Trade and Development (UNCTAD), the Food and Agriculture Organization of the United Nations (FAO), the World Health Organization (WHO), the World Trade Organization and the Organization for Economic Cooperation and Development (OECD), were represented by senior officials. Representatives of a number of non-governmental organizations also attended.

7. During the preparatory process and the Forum itself, a number of barriers to progress in biotechnology in developing countries were identified including: inadequacy of human resources (for example, in respect of research, commerce, management) and physical resources (for example, in infrastructure and facilities); low levels of financial support and investment; lack of policy instruments (for example, in science and technology, regulation, investment) and of capacities to exercise regulatory oversight (for example, biosafety, intellectual property protection, trade); and limited access to knowledge and technology.

8. A Final Statement adopted by the Forum identified the following four major areas for new initiatives and proposals to be further considered and developed by the United Nations system organizations in accordance with their respective mandates and subject to approval by governing bodies, other international development partners, the scientific community and the private sector:

(a) Formation of a multi-stakeholder forum, involving specialized agencies of the United Nations system and other international bodies together with representatives of government, industry and the scientific community, to serve as an ongoing platform for informed dialogue on biotechnology and the way in which its benefits may be used for the enhancement of developing countries;

(b) Creation of an information network and database regarding what biotechnology activities are currently in progress in the countries with economies in transition and developing countries, together with market information provided on a global basis to assess technology and market potentials for new initiatives, inter alia, for the purpose of identifying and facilitating partnerships;

(c) Enhancement of efforts for the mobilization of resources for capacity-building;

(d) Examination of the impact of and ways to facilitate access to intellectual property to promote the exploitation and dissemination of biotechnology in developing countries.

9. In follow-up to the Forum, the key task is to propose concrete actions falling within the four framework areas of the Final Statement. The outcome of the Forum was presented at the twenty-eighth session of the UNIDO Industrial Development Board, held from 25 to 27 May 2004. In Board decision IDB.28/Dec.6, entitled "Global Technology Forum", adopted at the 6th plenary meeting, on 27 May 2004, the Board called upon the Director-General to take into account the Final Statement of the Global Biotechnology Forum in planning and implementing relevant follow-up activities fully within the mandate of UNIDO.

Notes

[a] *Report of the United Nations Conference on Environment and Development, Rio de Janeiro, 3-14 June 1992*, vol. I; *Resolutions Adopted by the Conference* (United Nations publication, Sales No. E.93.I.8 and corrigendum), resolution 1, annex II.

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Financing of the International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994

Financing of the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991

Biennial budgeting at the Tribunals

Report of the Secretary-General

Summary

In its resolutions 58/253 and 58/255 of 23 December 2003, the General Assembly requested the Secretary-General to submit a report on the results of the experiment on the biennialization of the budgets of the International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994 and the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991 (the Tribunals) effective 2002-2003 and the impact on the functioning of the Tribunals. In addition, the Assembly requested that the report should include the views of the Board of Auditors thereon.

The present report which is submitted in response to that request, includes the views of the Board of Auditors, as contained in a letter dated 9 July 2004 from the Chairman of the Board of Auditors to the Secretary-General (see annex).

It is proposed that the General Assembly maintain the biennial format for the presentation of the budgets of the Tribunals.

* A/59/50 and Corr.1.

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Introduction

1. At its fifty-fifth session, the General Assembly had decided that the budget of the International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994 and the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991 (the Tribunals) should be biennialized, on an experimental basis, for the period 2002-2003, and also decided to keep the matter of the biennialization under review, and requested the Secretary-General to report to the Assembly at its fifty-eighth session on the results of the experiment and the impact on the functioning of the Tribunals. In its resolutions 58/253 and 58/255 of 23 December 2003, the Assembly requested the Secretary-General to ensure that the report requested in paragraph 2 of its resolution 55/225 A and paragraph 2 of 55/226 of 23 December 2000, as well as the views of the United Nations Board of Auditors thereon, was submitted to the Assembly during the main part of its fifty-ninth session. The present report is submitted in response to that request including the views of the Board of Auditors, as contained in a letter dated 9 July 2004 from the Chairman of the Board of Auditors to the Secretary-General (see annex).

Background

2. In its resolution 808 (1993) of 22 February 1993, the Security Council decided that the International Tribunal for the Former Yugoslavia should be established. Initial financing for the Tribunal was subsequently provided by the General Assembly in its resolution 47/235 of 14 September 1993.

3. In its resolution 955 (1994) of 8 November 1994, the Security Council decided to establish the International Criminal Tribunal for Rwanda. Initial financing for the Tribunal was subsequently provided by the General Assembly in its resolution 49/251 of 20 July 1995.

4. Since their inception, the resource requirements of the Tribunals had been approved on an annual basis. However, the presentation was changed to a biennial presentation, on an experimental basis, effective the biennium 2002-2003 in General Assembly resolutions 55/225 A and 55/226 in which the Assembly noted that the benefits of that provisional reform could include the use of two-year employment contracts at the Tribunals.

Implementation of biennial budgeting at the Tribunals

5. According to the former Consultative Committee on Administrative Questions (Financial and Budgetary Questions), the principal function of a budget is to provide Member States with a plan in financial terms for the carrying out of a programme of activities in a specific period. A programme budget focuses upon the work to be undertaken and the objectives sought through that work: it emphasizes the ends to be achieved and relates both to resource levels and to results to be achieved.

Biennial budgeting has been the long-standing practice at the United Nations since 1974. However, in the case of the Tribunals, the annual budgeting format was used until the biennium 2002-2003. The preparatory requirements of the annual budget process are overwhelming for both the Secretariat and the Member States. The seemingly incessant demands of that process detract from other functions that are equally, if not more important such as long-range planning and oversight. In the case of the Tribunals, the demands of that process would detract from achieving the goals outlined in the completion strategy in a timely manner. Therefore, biennial budgeting is considered a complement to long-term planning and a tool for improving an organization's fiscal management and oversight.

6. With the adoption of a biennial budgeting cycle, both time and effort have been saved on the part of the Tribunals, providing greater scope for planning, management and coordination of activities. In addition, the Tribunals are of the opinion that precious time and effort have been conserved on the part of the committees responsible for reviewing the budgets of the Tribunals. The realization of the completion strategy is the main objective of the Tribunals and the work of the Tribunals has become more focused as a result of the longer budgetary cycle. More time and effort have been devoted to the planning and evaluation of the results of activities already embarked upon. Further, biennial budgeting has provided for planning ahead with more precision over a longer span of time than would have been possible with an annual budget; in other words, by looking beyond one year, the Tribunals are better able to plan for the future. The Tribunals have been able to spend more time on inter-Tribunal cooperation, sharing best practices and transfer of cases. That programme managers have been given assurances that the necessary funds would be available for an extended period thereby eliminates the uncertainties that would normally prevail under an annual budget cycle. The second year of the budget cycle has been used to focus more on in-depth review of the programme of work by setting priorities and thereby improving efficiencies and programme performance, with decision makers being held more accountable. This has resulted in the Tribunals being more productive by focusing attention on the vital tasks of successfully implementing the completion strategy. Biennial budgeting has helped programme managers to focus on long-term and strategic aspects of budgeting, in contrast with narrow concentration on "number crunching" for a single year. The annual repetitive tussle over the budget makes it impossible to engage in any meaningful planning. Too much time is consumed by repetitious budget preparation, justification and appropriation instead to the detriment of improving performance and productivity.

7. Biennial budgeting is conducive to long-term planning, allows more time for programme review and performance evaluation, and enables shifts in priorities to be addressed. More time for performance evaluation encourages programme managers to move in the direction of results-based budgeting. This is especially important in the upcoming years as the Tribunals prepare and plan to downsize staffing and capital resources as the investigative and trial stages come to an end.

8. Biennial budgeting facilitates policy-related consideration and reflection, and represents a commitment in respect of policy direction, thereby reducing the time spent on budget planning and presentations. In addition, annual budgeting would not allow enough time to review expenditures in depth. Those preparing the budget finish one year and then immediately enter into the preparation of the next year's budget. Preliminary work on the next fiscal year's budget is simultaneous with the

implementation of the current budget and wrapping up of the previous fiscal year's budget.

9. While continuing to allow for a thorough consideration of the budget estimates by the legislative and expert bodies, biennial budgeting continues to contribute to alleviating the heavy agenda of these bodies, thereby allowing more time for the review of, inter alia, budget performance and evaluation. Longer-term projections would provide for flexibility to respond to changing circumstances. In cases where the need arises, biennial budgeting does not prevent Member States from revising the requirements of the second year as a result of a change in focus. For example, for the biennium 2004-2005, the General Assembly requested the Secretary-General to resubmit the proposal for resource requirements for the Investigations Division for 2005 in the context of the first performance report.

10. Biennial budgeting also frees up staff time that would otherwise have been spent preparing a budget in both the years thereby allowing staff to redirect their time to other areas such as performance measures. The preparation of annual budgets and related performance reports generates a significant additional workload for those responsible for their preparation, including substantive staff who should be devoting their full attention to the completion of trials. In addition, biennial budgeting has also contributed to lower costs on translation and printing, since the production of fewer documents is required.

11. The return to annual budgets would imply that staff could be offered contracts only for up to one year. As the end draws near with the accompanying uncertainty, the Tribunals are increasingly having difficulties retaining qualified staff. The issuance of yearly contracts would further exacerbate the already difficult situation of staff retention and have a negative impact on staff morale and, by extension, on the functioning of the Tribunals and their completion strategies.

Conclusion

12. **It is proposed that the General Assembly maintain a biennial budget presentation for the Tribunals.**

Annex

Letter dated 9 July 2004 from the Chairman of the Board of Auditors to the Secretary-General

In its resolutions 58/253 and 58/255 of 23 December 2003, the General Assembly requested the Secretary-General to submit a report on the results of the experiment on the biennialization of the budgets of the Tribunals for Rwanda and the former Yugoslavia and the impact on the functioning of the Tribunals. The Assembly also requested the views of the Board of Auditors thereon.

The Board of Auditors has considered the report on this matter in which the Administration concludes by proposing that the General Assembly maintain a biennial budget presentation for the Tribunals. The Board is pleased to indicate that it concurs with the Administration's conclusion with respect to maintaining biennial budget presentations for both Tribunals, for the reasons provided in your report to the Assembly.

(*Signed*) Shauket A. **Fakie**
Auditor General of the Republic of South Africa
Chairman of the United Nations Board of Auditors and the
Panel of External Auditors of the United Nations
Specialized Agencies and the International Atomic Energy Agency